

EXHIBIT 2
DATE Feb 1, 2011
HB 351

Carter Chouteau County Water and Sewer District

The Carter water system provides water to users living within the unincorporated communities of Carter and Floweree, along with 38 rural users located in Northern Chouteau County.

The water supply source for the District is an infiltration gallery along the banks of the Missouri River, approximately 3 miles southeast of the community of Carter. Water is pumped from the infiltration gallery through a series of three booster pump stations to pressurize the system and distribute water to users of the District.

In 1999, the Montana Department of Environmental Quality notified the District that its water source was Ground Water Under the Direct Influence of Surface Water. In 2006, the District implemented a project to help meet the filtration avoidance criteria. However, the District was unsuccessful in meeting the criteria.

In July of 2009, US Environmental Protection Agency issued an Administrative Order (#Docket No. SDWA-08-2009-0019). The District must install filtration with disinfection or permanently disconnect from its infiltration gallery.

The District has a base rate of \$101 for the users in Carter and \$116.00 for the rural users. In addition, the District charges \$3.00 per 1,000 gallons after the first 15,000 gallons. Based on the current rate structure, the rural users are paying an average of \$174 per month and up to \$300 during the summer months due to the utilization of chem.-fallow as part of their farming operation.

This proposed project will construct a water treatment plant as per the EPA Administrative Order. The estimated project cost is \$1,998,000 and the funding sources include Treasure State Endowment Program, MT Community Development Block Grant, USDA Rural Development and Water Resource Development Act. Even with the proposed funding source, the project would result in an user rate increase of \$38.93 for debt service and increase operation and maintenance.

Without the TSEP grant of \$750,000, the mandated project would be unaffordable to the users of the District.